MCA Monitor

Which Countries Will Be Selected for MCC Eligibility for FY2014?

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December 2013

Summary

On December 10, the Millennium Challenge Corporation's (MCC) board of directors will select countries as eligible for compact and threshold program assistance for FY2014. It will face some difficult decisions, framed by the following three issues:

• Scarce Resource Availability: The MCC board will have to prioritize from among the possible contenders for compact eligibility.

• Countries Not Passing MCC's Indicator Criteria: A record number of countries that will be considered for re-selection this year do not meet MCC's criteria for performance on the eligibility indicators. However, these indicators are imperfect proxies of a country's policy performance.

• Second Compact Selectivity: Much of MCC's selection process is transparent; determining which countries should be eligible for second compacts is less so. What is not clear is where MCC draws the line to say that the quality of a country's compact implementation does not meet the cut for eligibility for continued support.

With this framing in mind, the Rethinking US Development Policy Initiative predicts that the MCC board will—for the first time ever—make no new selections for compact eligibility. It will likely re-select Liberia, Niger, and Sierra Leone for first compact eligibility and Benin, Ghana, Morocco, and Tanzania for second compact eligibility. The board is unlikely to select any new countries for threshold program eligibility.

The MCA Monitor provides rigorous policy analysis and research on the operations and effectiveness of the Millennium Challenge Corporation. It is part of CGD's Rethinking US Development Policy Initiative that tracks efforts to reform aid programs and improve aid effectiveness.

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Center for Global Development

Introduction

On December 10, the Millennium Challenge Corporation's (MCC) board of directors will select countries as eligible for compact and/or threshold program assistance for FY2014. It will face some difficult decisions, framed by the following three issues:

- **Scarce Resource Availability:** The MCC board will have to prioritize from among the possible contenders for compact eligibility. There is already a very large pipeline of countries developing compacts, and the FY2014 budget will likely only be in the $800–$900 million range again.

- **Countries Not Passing MCC's Indicator Criteria:** A record number of countries that will be considered for re-selection this year do not meet MCC's criteria for performance on the eligibility indicators. However, these indicators are imperfect proxies of a country's policy performance. The board must decide whether the respective countries now fail the indicator criteria because of a real policy performance decline or because the change is largely data noise. When managing this decision, MCC will need to strike the right balance between signaling the importance of policy performance, preserving confidence in its hallmark data-driven selection process, and being a reasonable and rational development partner.

- **Second Compact Selectivity:** Much of MCC's selection process is transparent; determining which countries should be eligible for second compacts is less so. When assessing countries for second compact eligibility, MCC considers countries' performance on their first compacts as well as their performance on the policy indicators. What is not clear is where MCC draws the line to say that the quality of a country's compact implementation does not meet the cut for eligibility for continued support.

With this framing in mind, the Rethinking US Development Policy Initiative predicts that the MCC board will—for the first time ever—make no new selections for compact eligibility. It will likely re-select Liberia, Niger, and Sierra Leone for first compact eligibility and Benin, Ghana, Morocco, and Tanzania for second compact eligibility. The board is unlikely to select any new countries for threshold program eligibility.

How the MCC Selection Process Works

Each year, MCC selects low- and lower-middle-income countries for compact or threshold program eligibility based upon their relative policy performance.[1] There have been some changes

[1] The release of the list of candidate countries is the first formal step in the selection process. See MCC's Report on Countries that are Candidates for Millennium Challenge Account Eligibility for Fiscal Year 2014 and Countries that *would be Candidates but for Legal Prohibitions*, August 2013, at www.mcc.gov/documents/reports/report-2013001140801-fy14-candidate-country.pdf.

to the selection criteria and methodology over the years. However, a constant feature is MCC's publication of country scorecards capturing performance on a series of independent policy indicators that span three broad categories: Ruling Justly, Investing in People, and Economic Freedom. Indicator performance is one of the MCC board's primary considerations for deciding compact or threshold program eligibility.

To pass the MCC indicator criteria, a country must score better than at least half of its income-level peers (for most indicators) or above a fixed threshold (for a couple of indicators) on at least 10 of the scorecard's 20 indicators. MCC requires countries to pass at least one indicator in each of the three categories, and there are two "hard hurdles" that a country must pass: the Control of Corruption indicator and at least one democracy indicator (either political rights and/or civil liberties).[2] Country performance on the indicators is compared relative to all other countries within either the relevant low-income country (LIC) or the lower-middle-income country (LMIC) pool.[3]

The indicators are the starting point. MCC also looks beyond the scorecards when assessing a respective country's policy performance for several important reasons. First, the indicators are imperfect in nature: they have a time lag, they cannot touch on every aspect of a particular policy area, they do not cover all of the policy areas required by MCC's legislation, and the data tend to be somewhat noisy. Second, a numeric score can only tell MCC so much about the nature of a country's actual policy environment. To help fill these gaps in information, MCC looks at supplemental quantitative and qualitative information to acquire a more complete picture of a country's policy performance.

In addition to considering policy performance, MCC must, according to its legislation, consider "the opportunity to reduce poverty and generate economic growth in the country." This is a somewhat vague criterion, which MCC interprets in a number of ways, including:

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[2] For the full description of the selection criteria and methodology, see MCC's *Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in Fiscal Year 2014*, September 2013, at www.mcc.gov/pages/about/document/report-selection-criteria-and-methodology-fy14.

[3] For purposes of scorecard comparisons, MCC defines LICs as countries with a per capita income below the World Bank's historical cutoff for International Development Association (IDA) eligibility. MCC's LMIC pool includes countries with per capita income above the historical IDA cutoff and below the World Bank–defined LMIC income ceiling. A list of LICs and LMICs according to these parameters is contained in MCC's *Selection Criteria and Methodology Report*. MCC's *Candidate Country Report* is tied to how countries can be funded, and it defines LICs and LMICs differently. For funding purposes, LICs are the 75 lowest income countries, and LMICs begin with the 76th lowest income country and are capped by the World Bank's per capita income ceiling for LMICs. Originally, there were not dual definitions of LICs and LMICs. However, by law, MCC can use no more than 25 percent of its budget for LMIC compacts and, over time, as countries graduated from LIC to LMIC, the LMIC group started to grow to be far larger than 25 percent of the candidate pool. MCC's legislation was amended prior to the FY2012 selection process to enable MCC to better align how funds can be allocated with the relative distribution of the candidate groups.

- Policy-Related Considerations**:** Does the US government have strong enough bilateral relations to effectively work in the respective country?

- Poverty-Related Considerations**:** Which countries have higher poverty rates?

- Size-Related Considerations**:** Can MCC have a meaningful impact in a huge country? Can MCC reach enough poor people in a small country?[4]

The board must also take into account how much money MCC has available to carry out its activities.

Second Compact Eligibility

Countries that have completed, or are within 18 months of completing, a compact can be considered for second compact eligibility. When making these decisions, the board also assesses a country's track record in implementing its first compact. In particular, the board looks at the nature of the partnership, how well the country has demonstrated commitment and capacity to achieve results, and how well the country has complied with MCC's core policies and standards. Unfortunately, MCC has not yet developed an approach that, like the indicator system, attempts to systematically, objectively, and transparently assess countries' implementation performance. Consequently, while MCC staff provide the board with a brief assessment of implementation, most of this information is not publicly available. Only financial information, a limited set of project monitoring indicators, and some brief text about implementation progress (which may gloss over some of the challenges) are consistently available at this time.

Threshold Program Eligibility

The threshold program eligibility criteria are based on the same core standards. Typically, countries that are selected either meet or come very close to meeting the indicator criteria, but there are questions about the country's readiness to design and implement a successful compact while maintaining eligibility based on policy performance.

The Overarching Issues for FY2014

Scarce Resource Availability

The final FY2014 budget is still uncertain at this point. However, MCC will likely have close to its FY2013 enacted post-sequestration level of $853 million.[5] MCC's budget has been hovering

[4] To the extent that size and poverty rates do factor into MCC's analysis of its opportunity to reduce poverty and generate economic growth, there is no clear and consistent decision rule around these characteristics. Compact countries have ranged in size from less than half a million people to 250 million people; poverty rates (percentage of the population living on less than $2 a day) have ranged from 1.5 percent (Jordan) to 95 percent (Liberia).

around this level for several years, which is down substantially from MCC's early years, when it regularly received over one billion dollars from the US Congress. However, bigger is not necessarily always better when it comes to compact size.[6] There is, however, a hypothesis that MCC compacts must be large enough to provide sufficient incentive for a partner government to undertake the often difficult reforms that must accompany MCC's investment (though there is scant evidence to back this assertion). Either way, given the relatively limited pool of funds, the expressed need to have big, important country programs, and MCC's already existing large pipeline of countries with compacts in development, the board will be unlikely to add new countries to the queue. These considerations mean that the informal minimum standard for new selection may be higher this year than ever before.

Currently Eligible Countries Not Passing MCC's Indicator Criteria

MCC has a large pipeline of countries in the compact development process. Each will need to be re-selected in order to move forward. This year, however, a record number of these countries do not meet the indicator criteria.

Historically, MCC has swung both ways when it comes to re-selecting countries in compact development that fail to meet the minimum indicator criteria for eligibility. However, countries have been re-selected the vast majority of the time. Even in the rare occasions where countries ultimately were not re-selected, most had, in fact, been previously re-selected for at least one year after falling short on the indicator criteria prior to losing their eligibility. In these cases, it is likely that MCC did not base its decision not to re-select exclusively on their indicator performance.[7] MCC management and the board are well aware of the imprecision of the indicators and, therefore, look carefully at broader patterns beyond the scope of the scorecard data.

The simplicity of MCC's transparent, rule-based selection system is one of its best features; it is also one of its biggest challenges. The straightforward green/red stoplight approach of the scorecards glosses over some enormous complexity and tricky ambiguity.

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[5] US Global Leadership Coalition, *FY14 International Affairs Budget Account Summary*, available at www.usglc.org/downloads/2013/08/FY14-International-Affairs-Budget-Account-Summary.pdf.

[6] For example, managing the implementation of a massive set of projects within a tight timeline can test some countries' capacity.

[7] For instance, Timor-Leste, which was not re-selected in December 2008, experienced political unrest in 2006, and in 2008 there were assassination attempts against the president and prime minister. Not all of these events would have been reflected in the indicators, but the board undoubtedly was aware of and considered these facts when making its selection decision.

Re-selection Status of Countries in Compact Development That Failed the Indicators[8]

Re-selected	Not re-selected
Cape Verde	The Gambia*† (FY2008)
Georgia*	Timor-Leste* (FY2009)
Indonesia*	Ukraine* (FY2009)
Morocco	
Mozambique*	
Namibia	
Philippines*	
Senegal	
Sri Lanka	
Timor-Leste*	
Ukraine*	

* Failed the Control of Corruption indicator
† MCC had previously suspended the Gambia's eligibility due to policy slippage in a number of areas.

At their core, the indicators are imperfect proxies for gauging policy performance. While they are useful in distinguishing high performers from low performers, they are not particularly sensitive to small differences across countries. They also are not completely reliable signals of policy environment changes, in part due to time lags of at least one year (or more) in most cases. More fundamentally, the data are simply noisy and indicator performance can be volatile from year to year. In practice, this means that countries that previously passed the indicators may not do so in following years despite not having had any real deterioration in policy performance. When this happens to countries that are up for re-selection, MCC must determine whether the changes in indicator performance reflect real changes. Alternative explanations for perceived declines include:

- **Methodological Changes:** The underlying data sources occasionally alter how policy performance is measured.

- **New Data Availability**: Data can be scarce or of poor quality in developing countries, so new and/or improved data can alter country performance scores. In such cases, new/better data may demonstrate that the policy environment is less positive than previously thought. However, the adjustment does not necessarily reflect a *decline* over time and might, in fact, mask an improvement over the past year.

- **Higher Peer Group Median Threshold:** MCC's scorecards assess countries relative to one another. Therefore, if the average performance of the peer group improved, a country may move from passing to failing, even if its own score is largely unchanged.

[8] Currently, only previously selected countries still in compact development need to be re-selected each year. Through FY2008, MCC also routinely made selection decisions for countries that were already implementing compacts (even though re-selection, or not, had no implication for compact implementation). Between FY2005 and FY2008, an additional 11 compact implementation countries were re-selected by the board after having failed the indicator criteria for at least one year.

- **New Peer Group Comparison**: A country graduated from the low-income country group to the more competitive lower-middle-income country group, where the passing standards are higher. In such cases, a country's performance may have stayed the same or even improved, but dropped sharply in relative ranking due to the new group of comparator countries.

- **Small But Insignificant Decline:** Small score changes are often just insignificant noise. However, when they happen to a country whose score had hovered just above the median, it can mean the difference between passing and failing.

- **Inconsequential Performance Decline:** A small decline occurred that does reflect a real change in performance, but it is not of great concern. Developing countries' policy performance rarely follows a smooth trajectory; there are almost always periodic setbacks. In many cases, they would not rise to the level of concern that would lead to MCC terminating its relationship with the respective country.

Because MCC weighs performance on the Control of Corruption indicator heavily, the sources of data noise in this indicator deserve special consideration. The indicator, produced by the World Bank Institute and the Brookings Institution, is an index of nearly two dozen sub-indicators that measure perceptions of corruption by citizens, firms, and country experts.[9] Changes in countries' scores can reflect mechanical issues, such as changes to the underlying sources of data. Scores can also, of course, be affected by actual changes in the sub-indicators' scores. However, even this does not always present evidence of a particular trend.[10] The composition of data sources may appear to be uninteresting technical minutia, but an incomplete understanding of how the indicator works can lead observers to incorrectly view a change in the Control of Corruption score as definitive evidence of a change in actual corruption levels. Such a misinterpretation can have real consequences when MCC eligibility is at stake. The most important thing to know is that year-on-year score changes do not always reflect real changes on the ground.[11]

Because the indicators are imperfect signals of changes in policy performance, MCC must also rely on supplemental qualitative information. If MCC determines that countries that are up for re-selection have had no material decline in policy performance, then these countries should be re-selected, regardless of whether or not they meet the formal indicator criteria. In practical terms, these countries have spent the past year (or more) developing a partnership with MCC. The US government has the responsibility to be a reasonable and rational partner. Simply put, if MCC is going to cut off an ongoing relationship with a country, then it must point to a significant, concrete policy deterioration, not just a change in color on the scorecard. This means

[9] The number of sub-indicators feeding into a particular country's index score varies because not all countries are covered by all 22 possible sub-indicators.

[10] Assessments by sub-indicators often do not move in the same direction; some may decline while others may improve or remain unchanged. How this impacts the overall score depends on the number of sub-indicators in a particular country's index and their relative weights.

[11] In fact, statistically significant changes from one year to the next have never occurred and rarely occur even over a span of several years.

that the board should be particularly judicious when selecting new countries for eligibility, if the starting point against which future performance will be judged is the point of initial selection.

Re-selecting a country that does not pass the indicators also means that it may not pass the year its compact is considered for formal approval and/or signing. MCC must accept and be comfortable with this possibility. To date, MCC has faced this scenario five times, and each time it has proceeded to compact signing.[12] This was the right decision. Essentially, all low- and lower-middle-income countries with which MCC might partner have policy weaknesses. However, if MCC considers that a country's policy performance has remained good enough to be re-selected, then it should also be good enough to sign a compact, as long as there has been no material decline in the policy environment in the interim.

MCC's selection system will always be imperfect. That does not mean it should be discredited. It is more transparent than any other donor's process for determining country eligibility, and the indicators do a decent job of identifying relatively better policy performers and excluding weaker ones. As such, MCC should continue to weigh indicator performance very heavily when initially selecting a country. However, it is important to understand the limitations of the system in order to use it responsibly. It is also important for MCC to think through the following questions that the system's imperfections raise:

1) **Balancing Partnership Commitment and Policy Performance:** How can MCC balance making reasonable decisions about ongoing partnerships while signaling that it is serious about policy performance? In the past, MCC entered into a "policy improvement process" with partner countries that did not meet the indicator criteria. This involved a plan and regular reporting, but the most important gain was gauging the commitment of the country's governments to policy reform and maintaining MCC eligibility. MCC should continue some kind of dialogue along these lines going forward.[13]

[12] Georgia, Morocco, Namibia, the Philippines, and Indonesia did not pass the most recent scorecard when they signed a compact. In the case of Georgia, the indicators, which are lagged by a year or more, did not yet reflect the reform efforts that were underway when Georgia was selected. Namibia fell short on the new Investing in People indicator that was added in FY2008. Morocco, the Philippines, and Indonesia had graduated from the LIC category to the more competitive LMIC category during compact development, but would have passed had they remained in the LIC category.

[13] The challenge will be figuring out how MCC—in partnership with the country—can best provide an opportunity for a country to demonstrate concrete progress (e.g., are there appropriate specific actions that address the heart of the policy concern?). A further challenge will be for MCC to determine how the experience of their policy dialogue with a country should affect eligibility. If there is a question about a country's policy environment and the country is disinterested in engaging with MCC on ways it can demonstrate commitment and progress, then at what point will MCC walk away? Whatever that point is, MCC must be willing to do so; otherwise, the policy dialogue becomes little more than a pro forma waste of time.

2) **Signaling Power of Eligibility Indicators:** Can MCC improve the signaling power of its indicators, especially the Control of Corruption indicator? MCC is constantly assessing its selection system and looking for ways to improve it. The Control of Corruption indicator has its limitations, but it remains the best available option for publicly available data with adequate cross-country coverage. It may be time again for MCC, along with the experts in corruption and policy measurement, to think about alternative measures.

Selectivity for Second Compacts

To date, 16 countries have come up for consideration for second compact eligibility; MCC has selected seven of them. Of the nine that were *not* picked, all but two (Lesotho and Mozambique) met one of the following criteria: (1) they do not meet the indicator criteria; (2) they have had their first compact fully or partially suspended or terminated due to policy concerns; (3) they are no longer candidates; or (4) they are a small, remote Pacific island. As for Lesotho and Mozambique, it is possible that they were only temporarily passed by during last year's eligibility review, the first year they could have been considered.

Countries Up for Second Compact Consideration, as of FY2013

	Eligible for second compact	First compact suspended/ terminated	Not a candidate country	Failed indicator criteria (as of FY2013)	Population <500k
Armenia		√		√	
Benin	FY12				
Cape Verde	FY10				
El Salvador	FY12				
Georgia	FY11				
Ghana	FY11				
Honduras		√		√	
Lesotho					
Madagascar		√	√		
Mali		√	√		
Mongolia				√	
Morocco	FY13				
Mozambique					
Nicaragua		√	√		
Tanzania	FY13				
Vanuatu					√

In other words, it appears that—as long as a country meets the indicator criteria and was not suspended or terminated for policy reasons—any implementation performance is seen as sufficiently positive to warrant a second compact. However, there is variance in how well countries have implemented their compacts. Anecdotal evidence suggests that delays, cost overruns, and poor program performance—including in countries that have already been selected as eligible for a second compact—could be considered compelling enough to deny second compact eligibility. This raises questions about how the MCC board determines what is acceptable implementation and what is not.

MCC has not yet developed an approach that, like the indicator system, attempts to systematically and transparently assess countries' implementation performance. To its credit, MCC does publish a list of issues they consider when looking at a country's track record of implementation, but most of this information is not publicly available.[14] Until MCC definitively decides against eligibility for a second compact on the basis of first compact experience, and until MCC makes more of the assessment information publicly available, it will be hard for external actors to know where MCC draws the line, as well as how consistently they draw that line.

If the board decides not to select a country based on its assessment of first compact performance, then MCC should have a stance on what that implies for the respective country in the future. With scorecard performance, if a country does not meet the criteria one year, it gets another chance each year thereafter. Not so with compact implementation. If performance is deemed unsatisfactory at a compact's conclusion, then the country has essentially no chance to prove otherwise in the future. Does that mean that country can never be considered again? Or that a change in government would need to occur before it could be considered? Certainly, it is reasonable to think that a different set of actors, focusing in different investment areas, could produce different results. MCC should determine how it will approach this and under what circumstances, if any, it would be willing to reconsider a country that had been excluded from second compact eligibility due to unsatisfactory performance on its first compact.

FY2014 Summary Statistics

- For the first time, no low-income countries graduated to the lower-middle-income country category.
- Six countries graduated from lower-middle-income to upper-middle-income status and out of MCC's candidacy pool: **Albania**, **Belize**, **Fiji**, **Iraq**, **Marshall Islands**, and

14 In particular, the board looks at the nature of the partnership, how well the country has demonstrated commitment and capacity to achieve results, and how well the country has complied with MCC's core policies and standards. For more detail, see the Guide to the Supplemental Information Sheet, November 2012, at www.mcc.gov/documents/reports/report-2012001121001-fy13-selection-supplemental-info.pdf. Only financial information, a limited set of project monitoring indictors, and some brief text about implementation progress (which may gloss over some of the challenges) are consistently available at this time.

Tonga. Half of these countries have moved in and out of MCC candidacy over the years, which highlights the inherent volatility in using an income threshold as an operational cutoff.

- Sixteen low-income countries and 10 lower-middle-income countries meet the indicator criteria.

Low-income countries	Lower-middle-income countries
Bangladesh	Armenia*
Burkina Faso	Bhutan
Comoros	Cape Verde*
Ghana	El Salvador*
India	Georgia
Lesotho	Kiribati
Malawi	Mongolia
Mozambique	Samoa*
Nepal	Sri Lanka
Nicaragua**	Vanuatu
Niger	
Sao Tome and Principe	
Senegal	
Solomon Islands	
Tanzania	
Zambia	

In this table, LIC and LMIC are based on scorecard income categories. Countries with an asterisk are also LMIC per MCC's funding income categories.
** Nicaragua is statutorily prohibited from receiving US assistance due to lack of budget transparency, so it is not a candidate country in FY2014.

- Three countries implementing compacts do not meet the indicator criteria: **Indonesia**, **Moldova**, and the **Philippines**.

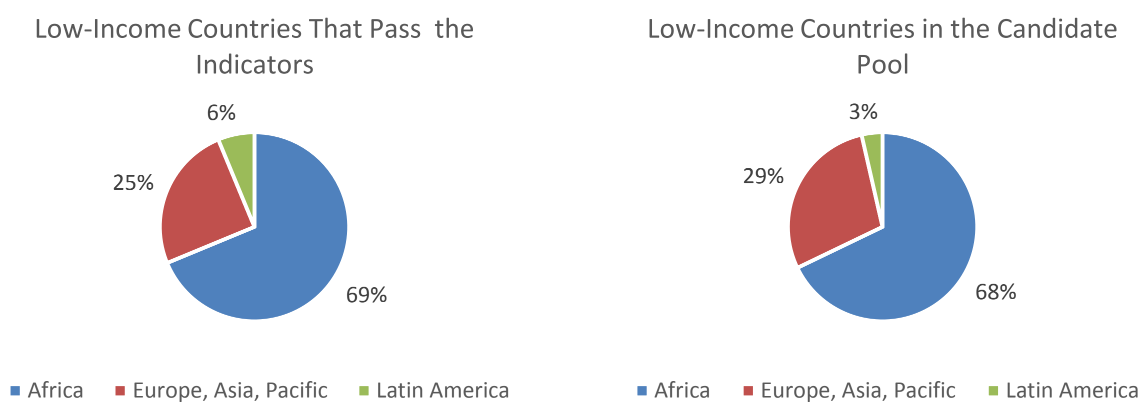
- Four countries developing compacts do not meet the indicator criteria: **Liberia** and **Sierra Leone** (first compact) and **Benin** and **Morocco** (second compact).

- Seven countries will be considered for second compact eligibility (having completed or are within 18 months of completing their first compact): **Armenia**, **Burkina Faso**, **Honduras**, **Lesotho**, **Mongolia**, **Mozambique**, and **Vanuatu**.

Low-Income Countries

There are 56 countries that meet the income parameters for the low-income country category.[15] Twelve of these are statutorily prohibited from receiving US foreign assistance, leaving 44 candidate countries.

Sixteen countries pass the indicator criteria in FY2014. Eleven are in Africa: **Burkina Faso**, **Comoros**, **Ghana**, **Lesotho**, **Malawi**, **Mozambique**, **Niger**, **Sao Tome and Principe**, **Senegal**, **Tanzania**, and **Zambia**. Four are located in Europe, Asia, and the Pacific: **Bangladesh**, **India**, **Nepal**, and **Solomon Islands**. One country is in Latin America: **Nicaragua** (however, it is not a candidate country due to statutory prohibitions).



Six low-income countries are currently in the process of developing compacts and will need to be re-selected: **Benin**, **Ghana**, **Liberia**, **Niger**, **Sierra Leone**, and **Tanzania**. Only half of these—Ghana, Niger, and Tanzania—pass the indicator criteria this year.[16]

Four countries are currently implementing compacts: **Burkina Faso**, **Malawi**, **Senegal**, and **Zambia**. Although they do not need to be re-selected to continue compact implementation, all four meet the indicator criteria this year.

Three low-income countries are potential candidates for eligibility for a second compact: **Burkina Faso**, **Lesotho**, and **Mozambique**. All three meet the indicator criteria this year, but all three also experienced some serious challenges implementing their first compacts (see details later).

Lower-Middle-Income Countries

There are 27 countries that meet the income parameters for the lower-middle-income category.[17] Three of these are statutorily prohibited from receiving US foreign assistance, leaving 24 candidate countries.

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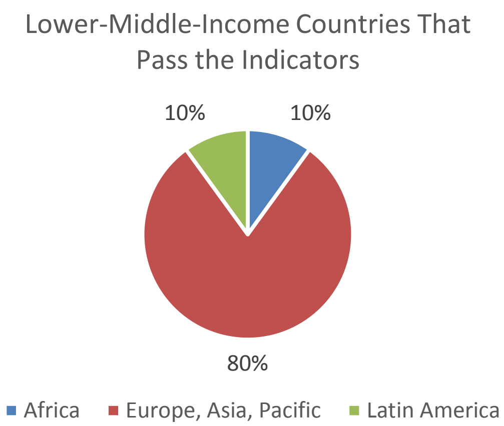
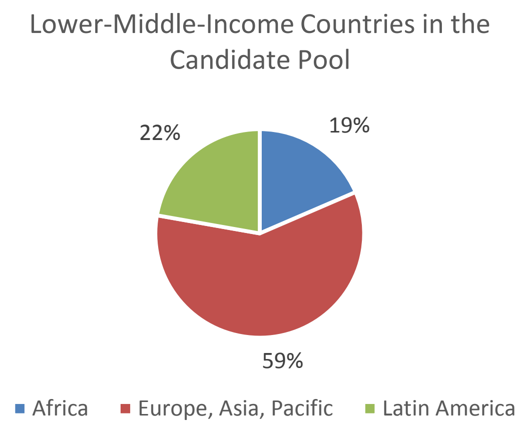
[15] For purposes of scorecard comparisons, not for funding purposes (see footnote 3).

16 All six passed in FY2013.

Ten countries pass the indicator criteria in FY2014. One is in Africa: **Cape Verde**. Eight are located in Europe, Asia, and the Pacific: **Armenia**, **Bhutan**, **Georgia**, **Kiribati**, **Mongolia**, **Samoa**, **Sri Lanka**, and **Vanuatu**. One is in Latin America: **El Salvador**. Countries in Europe, Asia, and the Pacific pass disproportionately more than their representation in the broader category pool.





One lower-middle-income country, **Morocco**, is currently in the process of developing a compact and will need to be re-selected this year. However, it does not pass the indicator criteria this year.

Six other countries are implementing compacts or have approved compacts in place: **Cape Verde**, **El Salvador**, **Georgia**, **Indonesia**, **Moldova**, and the **Philippines**. These countries do not need to be re-selected to continue compact implementation. Nonetheless, only half of them—Cape Verde, El Salvador, and Georgia—meet the indicator criteria this year. Indonesia, Moldova, and the Philippines have yet to meet the more difficult standards in the lower-middle-income category.

Four countries are potential candidates for second compact eligibility: **Armenia**, **Honduras**, **Mongolia**, and **Vanuatu**. With the exception of Honduras, all of them meet the indicator criteria this year.

Countries Most Likely to Be Selected for Compact Eligibility

First Compact Eligibility

The MCC board faces few straightforward decisions about which countries to select or re-select for first compact eligibility this year.

17 For purposes of scorecard comparisons, not for funding purposes (see footnote 3).

Liberia (Low-Income Category): Liberia was first selected for compact eligibility in FY13. This year it falls short by one indicator. The sole difference is that Liberia now fails the Natural Resource Protection indicator, due to newly available and arguably more accurate data. Previously, Liberia was given credit for protecting eco-regions that were not protected in practice, only *planned* for protection. This means that Liberia did not perform as well on the indicator criteria as originally thought. MCC will likely look to supplemental information to see the extent to which the government of Liberia has taken steps to address some of the concerns identified by the indicator.[18] MCC will almost certainly re-select Liberia this year because its change in scorecard performance does not reflect a *deterioration* in the policy environment over the past year.

Niger (Low-Income Category): Niger was also newly selected as compact eligible in FY2013 after having met the indicator criteria for the second year in a row. Niger meets the indicator criteria again this year, so we expect the board will re-select it to continue compact development.

Sierra Leone (Low-Income Category): Sierra Leone was another new pick for compact eligibility in FY2013. However, it now falls below the median score on the Control of Corruption hard hurdle. Sierra Leone ranked two countries above the median in FY2012 and FY2013 and now ranks one country below. All in all, this represents very little movement up and down the ranks, particularly since there has been a negligible absolute score change.[19] Because the data do not suggest a material policy reversal since last year, the MCC board will likely re-select Sierra Leone this year.

Second Compact Eligibility

Benin (Low-Income Category): Benin is perhaps the most difficult to predict. It completed its first compact in October 2011 and was initially selected for second compact eligibility in FY2012, despite some implementation delays and falling short on a number of performance targets. It will likely have a second compact ready for MCC board approval within the next year. However, it does not meet the indicator criteria in FY2014, falling just short on the Control of Corruption hurdle (its score is *the* median score, so it is technically not *above* the median). This "failure" by one place in the rankings is not troublesome in and of itself, but there is a question about what has taken Benin from being a medium-high performer on the Control of Corruption indicator a few years ago to being middle of the pack now. Based upon limited publicly available information from the sub-indicators, it appears that the decline is explained by a combination of methodological issues[20] and real perception changes about the anticorruption environment. A couple of large fraud and corruption scandals in 2010 seem to be taking a toll. However, it is not

[18] There is evidence that the government of Liberia has moved forward on land protection reforms over the past year. See Radelet, S. 2013. *The MCC: Will Simplicity Destroy Credibility?* Washington, D.C.: Brookings Institute. Available at www.brookings.edu/research/opinions/2013/11/18-millennium-challenge-corporation-radelet.

[19] Fifteen sub-indicators are indexed to create Sierra Leone's overall score. Of these, two dropped their rating for Sierra Leone compared to last year, ten stayed the same, and three were new this year.

[20] In particular, an underlying data source that used to rate Benin favorably discontinued coverage of the country.

clear that there has been a material change since Benin was first selected for a second compact in late 2011. Benin is a tough call, but the MCC board will likely re-select it this year.

Ghana (Low-Income Category): Ghana soundly passes the indicator criteria. It completed its first compact in February 2012 and was selected as eligible for a second compact in FY2011. It likely will be ready to sign a new agreement within the year. There is little question that the board will re-select Ghana this year.

Tanzania (Low-Income Category): Tanzania has regularly passed the indicator criteria in the past, and FY2014 is no different, even though there is a downward trend in its Control of Corruption indicator score in recent years. Tanzania completed its first compact in September 2013 and was selected as eligible for a second compact in FY2013. It is an easy pick for re-selection in FY2014. However, because of an apparent deteriorating trend, MCC should closely monitor Tanzania's anticorruption policy environment going forward.

Morocco (Lower-Middle-Income Category): Morocco completed its first compact in September 2013 and was selected for second compact eligibility last year. However, Morocco now fails the requirement to pass at least half of the eligibility indicators. This is driven by two factors. First, the peer group median for the Land Rights and Access indicator increased slightly. Second, the International Finance Corporation—which creates the Gender in the Economy indicator—included additional information on Morocco's performance that was not addressed in their last edition. This adjustment resulted in a lower score, which paints a more accurate and somewhat less favorable picture of gender equality in Morocco. However, it does not suggest there has been an actual policy change since Morocco was first selected, though MCC will likely review the extent to which the government of Morocco is taking steps to address some of the issues newly captured in the indicator. Because of this, the MCC board will most likely re-select Morocco this year.

Countries Most Likely to Be Selected for Threshold Program Eligibility

The MCC board is unlikely to select any new countries for threshold eligibility this year. Because MCC has a large pipeline of countries in compact development, it will likely prioritize scarce funding for these programs over new threshold programs. Moreover, MCC still has three countries developing threshold programs in its pipeline (Guatemala, Nepal, and Tunisia), so there may be less urgency to select a new threshold program country this year. Of the countries that meet (or come very close to meeting) the indicator criteria but are not currently compact or threshold eligible, most have been passed up for threshold eligibility in recent years and the Rethinking US Development Policy Initiative does not expect a change this year.

Countries Meeting the Indicator Criteria But Unlikely to Be Selected

Malawi, **Senegal**, and **Zambia (Low-Income Category):** All three meet the indicator criteria but are currently implementing compacts and do not need to be re-selected this year.

Bangladesh (Low-Income Category): Bangladesh meets the indicator criteria for the first time ever this year and could be a contender for compact eligibility. It is a populous, poor country with a market-oriented outlook that has maintained moderate growth over the past several years. However, it unlikely to be picked for several reasons. First, this is the first year that Bangladesh has passed the Control of Corruption hurdle. With the MCC board facing tough decisions about re-selecting multiple countries that do not pass the corruption indicator, they may be more risk averse with respect to countries that have not demonstrated a more consistent track record.[21] Second, Bangladesh has an election due in January, which creates substantial uncertainty. Finally, MCC has a full pipeline of compacts in development and is facing a tight budget this year. As a result, the MCC board is likely to be extremely selective and not pick a new country this year. Bangladesh could, however, be a strong contender in future years if it continues to exhibit strong performance on the eligibility indicators.

Burkina Faso (Low-Income Category): Burkina Faso again passes the indicator criteria this year, as it has for eight of MCC's eleven selection rounds. FY2014 is the first year it could be considered for second compact eligibility. However, its existing compact has experienced delays and will not achieve expected results in several areas.[22] Because of this and the other demands on MCC's scarce resources, the MCC board is unlikely to select Burkina Faso this year.

Lesotho (Low-Income Category): Lesotho completed a compact in September 2013 and could have been considered for eligibility for a second compact as early as last year. It was passed over at the time but will be considered again this year. There is no question about indicator performance. Lesotho is one of very few countries that has passed the indicator criteria every single year. MCC also often points to Lesotho's willingness to implement tough policy reforms to prepare for its first compact.[23] However, there are material questions about its compact performance.[24] Due to Lesotho's slower pace of implementation and mixed compact results,

[21] The extent to which an unproven track record of passing the indicators will be among the board's major considerations for Bangladesh is not clear, because weighing that factor heavily would be inconsistent with many of their past decisions.

[22] The compact's design included a number of low-return roads and a land project whose implementation proceeded despite weak evidence of impact midway through the program. Currently, road works are somewhat behind schedule, components of the agriculture project were canceled having been deemed unlikely to meet their targets, and the (already completed) primary schools project is showing weaker-than-expected outcomes. See Burkina Faso's *Compact Monitoring and Evaluation Plan* and *Table of Key Performance Indicators* at www.mcc.gov/pages/countries/evaluation/burkina-faso-compact.

[23] See *The MCC Effect: The Prospect of Compact Eligibility Is Incentivizing Policy Reform* at www.mcc.gov/documents/press/factsheet-2012002115601-mcc-effect-compact-eligibility.pdf.

[24] Three months prior to compact completion, Lesotho had committed just 87 percent of budgeted funds and had expended 71 percent. The rural water supply and sanitation project was off track in some areas. The health project was mostly on track in terms of outputs (physical completion of health infrastructure), but indicators on higher-level outcomes are far below target. The private sector development project was on track to meet a number of targets, but that's because many targets were revised downward to account for delays in implementation. See the *Monitoring and Evaluation Plan for Lesotho Compact* and *Table of Key Performance Indicators* at www.mcc.gov/pages/countries/evaluation/lesotho-compact.

combined with the crowded pipeline and tight budget scenario, the MCC board will likely not select it this year.

Mozambique (Low-Income Category): Mozambique's compact also ended in September 2013, so it could have been considered for eligibility for a second compact last year. Indicator performance was not the limiting factor, because Mozambique has consistently passed the indicators since FY2012. Performance on the first compact was likely more of an issue. As of June 2013, Mozambique's compact was 95 percent complete, but only 86 percent of compact funds were committed and only 66 percent were actually expended.[25] This is lower than any other country that has been selected for a second compact, all of which had committed and/or expended close to 100 percent of their budgets.[26] Based on (available information about) prior compact implementation, and given the competition for limited compact resources, the MCC board is unlikely to select Mozambique.

In addition, five other low-income countries pass the FY2014 indicator criteria: **Comoros**, **India**, **Nepal**, **Sao Tome and Principe**, and the **Solomon Islands**. Each of these has been passed over for selection despite meeting the indicator criteria in at least one prior year. They are unlikely to be selected this year as well. MCC does not make public the reasons for not selecting countries that pass the indicators, but plausible explanations include:

- **Comoros**, **Sao Tome and Principe**, and the **Solomon Islands** are very small countries. MCC does not have a binding size requirement for compact eligibility. However, the board's revealed preference has been not to select any new small island countries, so the Rethinking US Development Policy Initiative's predictions are based on this past pattern.[27]

- On the flip side, **India** is massive and a growing global power. Early on, India indicated it is not interested in an MCC compact, consistent with its view toward bilateral aid.

- As for **Nepal**, in the course of MCC's eleven-year history, it has met the indicator criteria more often than not. However, it was in the midst of a decade-long civil war until 2006, followed by a period of political changes and tensions. Based on recent progress on the country's Comprehensive Peace Accord, the board selected Nepal as eligible for a

[25] *Quarterly Status Report*. June 2013. Available at www.mcc.gov/documents/agreements/qsr-2013002127203-mozambique.pdf. As of June 2013, only half the expected roads works contracts and fewer than two-thirds of the expected sanitation and water system contracts were disbursed. See Mozambique's *Monitoring and Evaluation Plan* and *Table of Key Performance Indicators* at www.mcc.gov/pages/countries/evaluation/mozambique-compact.

[26] Benin, Cape Verde, El Salvador, Georgia, and Ghana all expended at least 97 percent of the compact budget. The final status reports are not yet available for Morocco and Tanzania, whose compacts ended in September 2013, but in both cases, as of June 2013, over 95 percent had been committed and nearly 75 percent expended.

[27] Cape Verde, which has a population of about half a million people, was selected as eligible in FY2010, but this was for a second compact; it was not a new relationship.

threshold program in FY2013. As a result, it will likely wait until Nepal's threshold program gets under way before considering compact eligibility.

Cape Verde, **El Salvador**, and **Georgia (Lower-Middle-Income Category):** All of these countries meet the indicator criteria, but already have approved compacts. As a result, they do not need to be re-selected this year.

Armenia (Lower-Middle Income Category): Armenia passes the Control of Corruption indicator for the first time since FY2007 and meets the full indicator criteria. However, it is probably not a prime pick for a second compact at this time. Based on concerns around the conduct of elections in 2008, MCC placed a temporary hold on compact activities and ultimately decided to cease funding for one project. Although democracy observers report that subsequent elections have been better, some of the underlying issues remain. Although Armenia technically meets the democracy hard hurdle, it ranks only in the 12th percentile on the Political Rights indicator. This is lower than any other country that has ever been selected for compact eligibility and may overshadow the technically acceptable performance on the Civil Liberties indicator (the other half of the democracy hard hurdle).

Mongolia (Lower-Middle-Income Category): Mongolia completed a $285 million compact in September 2013. Last year Mongolia graduated from the low-income country category to the more competitive lower-middle-income country category. As a result, it did not pass the Control of Corruption indicator. This year Mongolia passes the indicator criteria as a lower-middle-income country. However, like several other countries, its first compact performance raises questions about its competitiveness for continued support.[28] Inconsistent performance on the Control of Corruption indicator, the massive re-scoping of the first compact, and limited progress toward results in some areas all suggest that the MCC board is unlikely to select Mongolia for a second compact this year.

In addition, five lower-middle-income countries that passed the FY2014 indicator criteria also passed last year but were not selected: **Bhutan**, **Kiribati**, **Samoa**, **Sri Lanka**, and **Vanuatu**. The MCC board is unlikely to select any of them this year either.

- Size is almost certainly a primary factor that will keep the MCC board from selecting **Bhutan**, **Kiribati**, **Samoa**, and **Vanuatu**, all of which have populations under a million people. Bhutan, in addition to being small, does not have diplomatic relations with the US.

- **Sri Lanka** was previously compact eligible (FY2004 through FY2007) but did not finalize a compact. Although Sri Lanka passes 12 scorecard indictors and the civil

[28] For instance, with just three months left to go in the compact, only half of the expected contracted road works had been disbursed and no works had been completed. The property rights project faced implementation delays and is now expected to reach only about half (or fewer) of the originally estimated beneficiaries. See Mongolia's *Monitoring and Evaluation Plan* and *Table of Key Performance Indicators* at www.mcc.gov/pages/countries/evaluation/mongolia-compact. Mongolia's compact also experienced one of the most extensive restructurings to date.

conflict that complicated compact development is now over, there has been a trend toward centralization of power that is manifested in Sri Lanka's low (and declining) performance on the Political Rights indicator.

Low-Income Countries and Their Indicator Scores, FY2014

	Ruling Justly						Investing in People						Economic Freedom								
	Political Rights (0—40, 40 = best)	Civil Liberties (0—60, 60 = best)	Freedom of Information (-4—+104, -4 = best)	Government Effectiveness (-2.5—+2.5, +2.5 = best)	Rule of Law (-2.5—+2.5, +2.5 = best)	Control of Corruption (-2.5—+2.5, +2.5 = best)	Girls' Primary Education Completion Rate	Primary Education Expenditures	Health Expenditures	Immunization Rate	Natural Resource Protection (0—100, 100 = best)	Child Health (0—100, 100 = best)	Business Start-Up (0—1, 1 = best)	Land Rights and Access (0—1, 1 = best)	Inflation	Fiscal Policy	Trade Policy (0—100, 100 = best)	Regulatory Quality (-2.5—+2.5, +2.5 = best)	Gender in the Economy (0—20, 0 = best)	Access to Credit (0—120, 120 = best)	Number of passed indicators
Median/Threshold	17	25	61	0.00	0.00	0.00	67.0	1.81	2.57	82.8	55.5	56.3	0.880	0.627	15.0	-3.08	69.0	0.00	1	23	
Meet the indicator criteria																					
Bangladesh	25	31	49	0.10	-0.01	0.05	--	1.00	1.36	96.0	11.3	76.2	0.949	0.519	8.7	-3.54	59.0	-0.21	0	31	11
Burkina Faso	17	36	40	0.29	0.47	0.39	54.2	2.00	3.27	88.5	83.8	42.2	0.910	0.596	3.8	-3.44	67.8	0.63	1	23	12
Comoros	25	30	49	-0.62	-0.13	0.19	--	--	3.04	85.5	--	68.2	0.805	0.629	6.3	3.96	72.7	-0.67	--	18	11
Ghana	37	47	26	0.85	0.87	0.82	88.0	1.71	2.68	90.0	78.0	57.4	0.946	0.708	9.2	-8.05	64.8	0.86	0	49	17
India	34	42	38	0.74	0.80	0.35	97.0	0.84	1.17	73.0	27.6	71.5	0.873	0.673	10.4	-8.28	65.6	0.28	0	49	13
Lesotho	31	41	47	0.54	0.61	1.02	76.8	--	9.08	84.0	1.3	60.4	0.916	0.678	5.6	-3.44	68.6	0.21	0	18	15
Malawi	26	34	53	0.43	0.66	0.46	72.4	1.85	6.21	93.0	94.6	67.3	0.744	0.723	21.3	-2.22	72.7	0.03	1	21	16
Mozambique	23	36	40	0.28	0.30	0.32	49.1	3.25	2.80	79.0	90.8	40.8	0.945	0.727	2.1	-4.46	75.5	0.29	0	29	16
Nepal	20	27	54	-0.06	0.11	0.08	--	2.94	2.15	88.0	61.8	71.5	0.914	0.690	8.3	-0.79	61.0	-0.07	2	39	14
Niger	26	30	46	0.22	0.16	0.22	44.2	2.53	2.93	73.5	77.2	28.2	0.853	0.561	0.5	-2.18	65.6	0.14	4	23	12
Sao Tome and Principe	34	47	28	0.21	0.09	0.52	117.0	--	2.57	94.0	--	70.5	0.964	0.549	10.6	-11.23	75.3	-0.06	--	6	12
Senegal	32	43	50	0.47	0.57	0.59	64.6	2.23	3.45	88.0	99.5	66.3	0.900	0.563	1.4	-5.69	73.2	0.65	2	23	15
Solomon Islands	22	43	26	0.10	0.30	0.47	--	2.91	8.09	87.5	8.4	66.1	0.916	0.495	5.9	6.40	73.0	-0.32	--	27	15
Tanzania	28	38	49	0.23	0.32	0.06	85.2	--	2.86	94.5	99.9	47.1	0.901	0.741	16.0	-5.50	76.8	0.35	0	21	15
Zambia	28	34	58	0.42	0.50	0.55	108.3	--	3.66	80.5	100.0	56.1	0.950	0.639	6.6	-2.78	84.6	0.32	0	52	17
Eliminated by corruption																					
Benin	32	50	34	0.39	0.26	0.00	66.3	2.82	2.43	78.5	98.9	49.4	0.800	0.496	6.7	-0.72	60.0	0.35	3	23	10
Kenya	21	34	51	0.38	0.03	-0.19	--	2.46	1.77	88.0	77.6	54.6	0.873	0.740	9.4	-5.64	72.8	0.44	0	50	14
Nigeria	20	26	47	-0.07	-0.28	-0.22	69.7	--	1.95	41.5	76.0	47.6	0.855	0.556	12.2	-2.55	63.8	0.03	0	52	10
Papua New Guinea	23	36	26	0.15	0.04	-0.13	--	--	3.53	65.0	14.2	48.0	0.856	0.656	2.2	0.52	85.1	0.23	0	35	13
Sierra Leone	30	40	47	-0.29	0.03	-0.03	71.3	1.43	2.52	82.0	37.7	30.7	0.913	0.549	13.8	-4.92	70.2	0.04	0	31	11
Uganda	12	28	51	0.35	0.54	-0.04	54.2	1.76	2.48	80.0	88.2	59.9	0.819	0.845	14.0	-4.42	75.4	0.50	1	46	11
Eliminated by democracy																					
Cote d'Ivoire	13	21	61	-0.18	-0.21	0.00	52.2	2.93	1.81	89.5	100.0	56.5	0.922	0.386	1.3	-3.80	71.4	-0.02	0	23	9
Djibouti	9	20	74	-0.17	0.12	0.54	53.8	2.48	5.23	82.0	0.0	74.8	0.712	0.643	3.7	-1.31	54.8	0.30	--	11	9
Ethiopia	7	11	84	0.49	0.24	0.31	54.8	3.05	2.69	63.5	93.1	48.5	0.831	0.756	24.1	-1.39	64.2	-0.32	0	32	10
Mauritania	11	23	49	0.01	0.03	0.31	71.9	1.69	3.27	77.5	3.2	46.0	0.893	0.631	4.9	-0.21	69.0	0.10	4	14	11
Rwanda	8	16	78	0.86	0.64	1.57	73.8	1.52	6.13	97.5	56.3	68.7	0.990	0.884	6.3	-1.20	77.7	0.65	2	54	15
Vietnam	2	17	89	0.63	0.40	0.35	--	2.20	2.75	96.5	36.5	88.0	0.909	0.761	9.1	-3.52	78.7	0.07	0	44	14
Eliminated by corruption and democracy																					
Cambodia	9	20	64	0.09	-0.07	-0.13	89.7	1.09	1.28	94.0	100.0	63.2	0.548	0.690	2.9	-3.21	71.0	0.40	0	44	11
Kyrgyz Republic	14	25	67	0.26	-0.25	-0.18	95.4	--	3.87	97.0	20.2	91.1	0.978	0.769	2.8	-5.40	75.2	0.40	0	50	12
Tajikistan	8	16	77	-0.01	-0.28	-0.26	101.9	--	1.71	94.0	24.3	81.2	0.887	0.603	5.8	-1.52	73.2	-0.26	0	26	9
Uzbekistan	0	4	97	-0.02	-0.37	-0.32	91.7	--	2.78	99.0	12.9	92.5	0.976	0.614	12.1	7.43	66.1	-0.86	0	31	9
Miss by one non-hurdle indicator																					
Liberia	26	34	52	-0.26	-0.02	0.34	60.3	0.47	4.63	78.5	10.3	55.9	0.965	0.514	6.8	-3.46	64.1	-0.30	0	31	9
Miss by more than one indicator																					
Afghanistan	11	15	65	-0.47	-0.82	-0.50	--	--	1.49	69.5	2.2	54.3	0.970	0.452	4.5	0.10	--	-0.46	--	21	3
Burundi	12	22	72	-0.41	-0.19	-0.55	62.2	3.02	2.89	94.5	30.3	55.8	0.966	0.773	11.8	-3.78	71.8	-0.21	1	14	7
Chad	5	16	76	-0.57	-0.55	-0.34	29.2	1.05	1.04	54.5	55.3	32.4	0.602	0.483	7.7	-0.44	55.2	-0.33	3	23	2
Congo, Dem. Rep.	9	11	83	-0.74	-0.75	-0.39	51.0	0.84	2.88	72.5	59.9	32.5	0.658	0.537	2.1	1.03	63.0	-0.76	6	18	4
Guinea	15	24	58	-0.35	-0.54	-0.20	61.2	1.08	1.64	58.5	39.8	45.0	0.854	0.393	15.2	-6.17	61.2	-0.27	4	18	1
Haiti	19	24	49	-0.70	-0.44	-0.33	--	0.98	1.84	59.0	1.6	54.2	0.412	0.463	6.8	-2.12	70.4	-0.21	2	19	5
Laos	0	11	84	0.04	0.07	-0.13	89.9	1.59	1.38	75.5	93.9	74.2	0.771	0.678	4.3	-3.12	58.6	-0.09	0	22	8
Pakistan	20	22	64	0.13	-0.01	-0.15	59.0	--	0.68	82.0	58.4	77.6	0.937	0.624	11.0	-7.06	64.8	0.02	2	38	8
Somalia	0	2	84	-1.30	-1.55	-0.68	--	--	--	44.0	3.4	32.5	--	--	--	--	--	-1.51	--	--	0
South Sudan	11	20	60	-0.67	-0.49	-0.42	--	--	0.68	60.5	100.0	39.3	0.460	0.648	45.1	-5.82	--	-0.75	--	9	3
Togo	16	27	70	-0.40	-0.02	-0.08	66.8	2.25	4.18	78.0	66.3	43.8	0.792	0.453	2.6	-3.80	62.8	-0.11	1	23	5
Yemen	9	16	81	-0.35	-0.37	-0.32	53.3	2.68	1.14	76.5	3.3	62.2	0.816	0.849	9.9	-4.94	82.4	0.05	4	16	6
Statutorily prohibited																					
Burma	9	17	76	-0.61	-0.45	-0.21	106.2	0.39	0.24	84.5	36.0	82.1	0.590	0.500	2.8	-4.58	73.6	-1.12	--	12	5
Cameroon	7	16	66	0.02	-0.12	-0.33	72.1	1.05	1.63	83.5	55.6	59.2	0.916	0.527	2.4	-1.66	61.2	-0.19	4	28	9
Central African Republic	16	19	62	-0.54	-0.55	0.02	32.8	0.64	1.97	48.0	97.0	46.2	0.731	0.501	5.2	-1.28	51.8	-0.34	--	28	5
Eritrea	1	2	94	-0.59	-0.46	0.26	36.4	--	1.25	99.0	28.3	53.6	0.731	0.852	12.3	-15.24	69.1	-1.49	--	6	5
Gambia	7	16	83	0.41	0.36	0.27	67.2	2.50	2.93	96.5	24.0	69.9	0.702	0.711	4.6	-4.84	65.0	0.52	--	15	11
Guinea-Bissau	7	23	65	-0.32	-0.62	-0.31	60.0	--	1.69	74.5	89.9	41.0	0.918	0.579	2.1	-2.43	61.4	-0.49	--	23	4
Korea, Dem. Rep.	0	3	96	-1.01	-0.35	-0.46	--	--	--	97.5	12.7	91.3	--	--	--	--	0.0	-1.78	--	--	2
Madagascar	7	28	66	-0.16	0.01	0.30	74.0	1.31	2.57	77.5	18.6	48.0	0.965	0.610	5.8	-3.05	77.8	0.17	2	11	9
Mali	5	19	44	-0.07	0.21	0.15	49.5	1.95	3.09	66.5	14.3	34.2	0.872	0.598	5.3	-2.49	73.2	0.33	3	23	9
Nicaragua	17	34	47	0.03	0.16	0.13	84.0	1.86	4.13	98.5	91.1	77.9	0.811	0.697	7.2	-0.12	85.4	0.45	2	34	17
Sudan	2	5	83	-0.53	-0.31	-0.60	--	--	2.05	88.5	5.8	48.8	0.887	0.727	35.6	-1.12	55.6	-0.76	10	12	4
Zimbabwe	11	14	73	-0.29	-0.72	-0.36	--	1.29	--	89.5	99.7	68.1	0.595	0.415	3.7	-0.51	54.2	-1.08	0	26	7
Countries with data	56	56	56	56	56	56	42	38	53	56	54	56	54	54	54	54	53	56	43	54	

Note: Shaded indicator scores designate scores that fail per MCC's pass/fail criteria for that indicator. Unavailable data are interpreted as a failed score.

Lower-Middle-Income Countries and Their Indicator Scores, FY2014

	Ruling Justly						Investing in People						Economic Freedom								
	Political Rights (0—40, 40 = best)	Civil Liberties (0—60, 60 = best)	Freedom of Information (-4—+104, -4 = best)	Government Effectiveness (-2.5—+2.5, +2.5 = best)	Rule of Law (-2.5—+2.5, +2.5 = best)	Control of Corruption (-2.5—+2.5, +2.5 = best)	Girls' Secondary Education Enrollment Rate	Primary Education Expenditures	Health Expenditures	Immunization Rate	Natural Resource Protection (0—100, 100 = best)	Child Health (0—100, 100 = best)	Business Start-Up (0—1, 1 = best)	Land Rights and Access (0—1, 1 = best)	Inflation	Fiscal Policy	Trade Policy (0—100, 100 = best)	Regulatory Quality (-2.5—+2.5, +2.5 = best)	Gender in the Economy (0—20, 0 = best)	Access to Credit (0—120, 120 = best)	Number of passed indicators
Median/Threshold	17	25	49	0.00	0.00	0.00	91.3	1.64	3.47	90.0	44.5	84.4	0.907	0.752	15.0	-3.15	75.4	0.00	0	37	
Meet the indicator criteria																					
Armenia	13	29	62	0.35	0.07	0.05	96.9	--	1.55	96.0	73.1	95.7	0.990	0.965	2.5	-3.15	85.5	0.65	0	48	15
Bhutan	22	24	56	0.86	0.65	1.40	93.3	1.47	3.08	96.0	94.9	75.0	0.917	0.901	10.9	-1.58	49.4	-0.80	--	34	11
Cape Verde	37	53	27	0.49	0.94	1.38	118.1	2.50	3.57	93.0	14.6	83.0	0.959	0.770	2.5	-9.43	69.6	0.36	--	34	14
El Salvador	35	42	37	0.24	-0.28	0.19	88.0	1.64	4.29	92.5	5.6	85.2	0.900	0.735	1.7	-4.07	79.0	0.64	0	45	13
Georgia	24	36	47	0.95	0.44	0.83	107.8	0.85	1.71	92.5	44.5	96.3	0.992	0.929	-0.9	-2.13	88.6	1.00	0	57	17
Kiribati	36	55	27	-0.45	0.58	0.58	94.5	--	8.59	92.5	100.0	65.8	0.896	0.406	-3.0	-13.55	55.4	-1.04	--	15	10
Mongolia	36	50	33	-0.24	0.08	0.05	89.8	1.79	2.94	99.0	69.3	77.6	0.973	0.702	15.0	-5.35	74.7	0.16	0	43	13
Samoa	32	49	29	0.48	1.16	0.73	98.6	--	6.22	88.5	37.9	95.3	0.967	0.773	6.2	-6.34	75.8	-0.02	--	21	13
Sri Lanka	16	27	72	0.15	0.36	0.33	101.9	0.48	1.53	99.0	85.2	93.8	0.954	0.675	7.5	-7.10	73.6	0.20	0	40	13
Vanuatu	32	47	23	0.16	0.71	1.02	66.2	2.81	3.67	60.0	24.3	81.3	0.855	--	1.4	-2.12	48.0	-0.44	--	37	10
Eliminated by corruption																					
Bolivia	29	40	46	0.01	-0.58	-0.13	91.8	3.00	3.52	82.0	95.7	73.8	0.787	0.767	4.5	1.42	77.6	-0.51	1	33	12
Guatemala	24	33	55	-0.38	-0.63	-0.04	66.9	1.56	2.38	94.5	80.1	88.8	0.892	0.756	3.8	-2.83	85.4	0.15	0	54	12
Guyana	31	40	31	0.25	-0.05	-0.18	101.6	1.02	4.64	98.0	30.0	90.8	0.936	0.776	2.6	-3.43	72.0	-0.31	--	12	11
Honduras	18	33	58	-0.33	-0.71	-0.37	79.8	3.14	4.13	90.5	82.2	86.4	0.907	0.655	5.2	-3.26	75.4	0.12	1	54	10
Moldova	29	36	51	-0.16	0.11	-0.02	87.8	1.62	5.18	91.5	7.5	93.0	0.977	0.880	4.6	-2.33	80.1	0.21	0	52	14
Philippines	26	37	41	0.47	-0.08	-0.01	90.0	1.46	1.36	85.5	63.9	86.7	0.892	0.752	3.2	-1.35	75.5	0.26	1	37	10
Ukraine	21	36	56	-0.20	-0.33	-0.46	100.2	--	4.04	77.5	20.2	96.7	0.949	--	0.6	-4.33	86.2	-0.29	0	52	10
Eliminated by corruption and democracy																					
Egypt	15	23	60	-0.38	0.01	0.00	95.5	--	1.97	93.0	65.8	96.4	0.969	0.932	8.6	-9.60	71.4	-0.17	1	39	9
Miss by one non-hurdle indicator																					
Micronesia	37	56	21	-0.24	0.44	0.46	--	--	12.49	86.0	18.5	78.9	0.769	--	4.6	0.22	81.0	-0.66	--	21	9
Morocco	16	27	66	0.34	0.27	0.16	75.7	2.03	2.08	99.0	20.1	82.0	0.962	0.733	1.3	-6.25	58.8	0.23	1	34	9
Miss by more than one indicator																					
Indonesia	30	35	49	0.10	-0.13	-0.08	94.5	1.10	0.94	72.0	82.3	79.3	0.858	0.689	4.3	-1.18	74.8	0.05	1	35	8
Kosovo	16	26	45	0.00	-0.10	-0.05	--	--	--	--	17.0	--	0.899	--	2.5	-2.31	--	0.28	0	49	8
Paraguay	27	35	59	-0.51	-0.41	-0.27	80.5	1.59	3.43	89.0	31.2	83.6	0.857	0.755	3.7	0.22	81.1	0.00	0	39	8
Timor-Leste	29	34	35	-0.81	-0.73	-0.41	65.2	--	3.50	64.5	50.9	66.0	0.770	0.088	13.1	42.54	64.4	-0.70	--	21	7
Statutorily prohibited																					
Congo, Republic of	7	22	56	-0.81	-0.65	-0.62	--	1.93	1.68	82.5	55.0	51.5	0.688	0.446	5.0	12.99	55.6	-1.06	3	28	4
Swaziland	1	20	75	-0.19	0.00	0.25	67.4	3.81	5.57	91.5	17.7	66.7	0.872	0.585	8.9	-4.49	81.5	-0.24	--	43	7
Syria	-1	6	96	-0.83	-0.64	-0.60	90.7	2.00	1.83	53.0	3.8	94.1	0.953	0.621	--	-7.77	--	-1.24	6	13	3
Countries with data	27	27	27	27	27	27	24	19	26	26	27	26	27	23	26	27	25	27	18	27	

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